

Product Analysis and Development

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Lecture 5

New Product Development (Part One)

ENT 614



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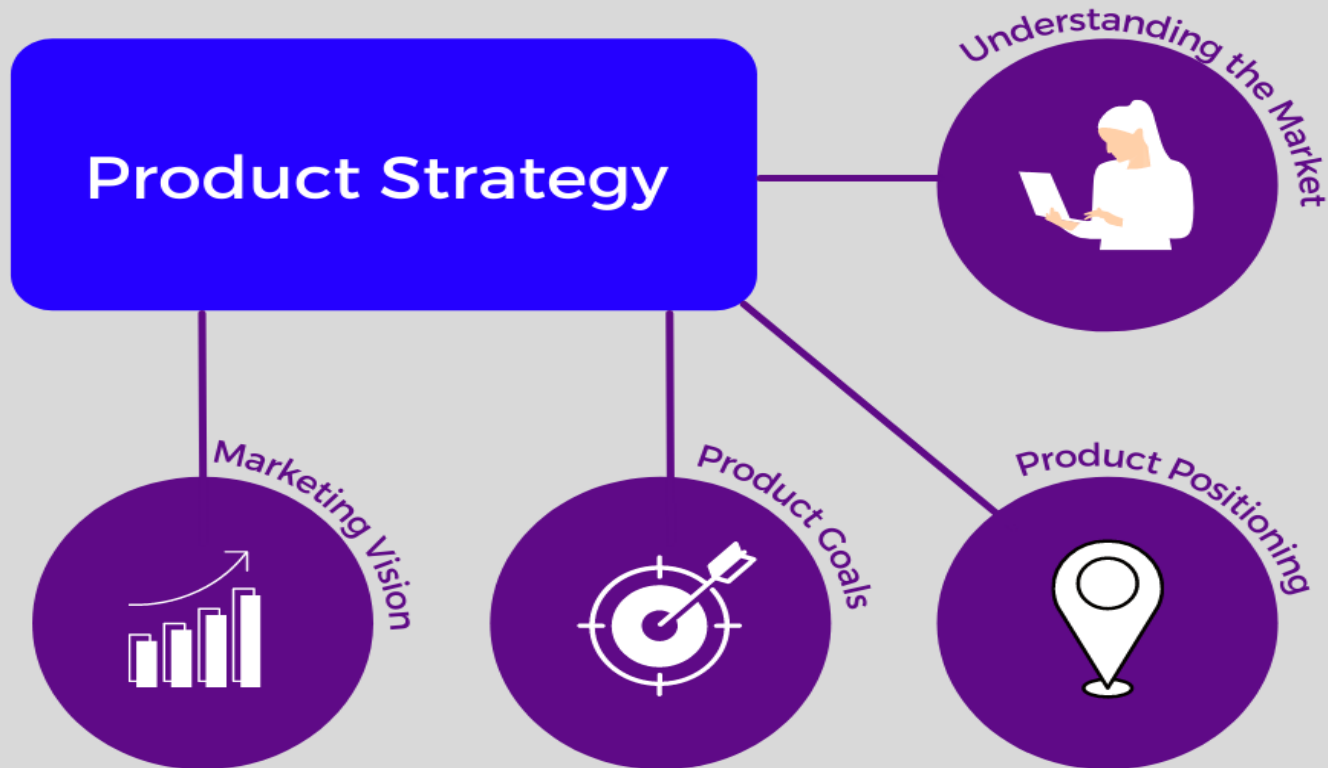
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New Product development Part one

Key Pillars of Product Strategy



Approaches of Product Strategies

- - Customer-centered new product development
- -Team-based new product development
- -Systematic new product development

Customer-Centred New Product Development

- New product development must be customer-centred
- It begins with a thorough understanding of what customers need and value
- Customer-Centred New Product Development: New Product Development which focuses on finding new ways to solve customer challenges and create more satisfying customer experiences
- It begins and ends with solving customer problems
- Successful new products are differentiated, solve customer problems, offer customer value, engage customers in their processes

Team-Based New Product Development

- Good new product development requires total company, cross-functional and multi-levelled efforts
- The sequential product development approach is orderly and brings control to projects
- The sequential approach is also extremely slow and can lead to product failures, lost sales, profits and crumbling market positions
- **Team-Based New Product Development:** A new product development approach in which various company departments work closely together, overlapping the steps in the product development process to save time and increase effectiveness

Team-Based New Product Development

- Team-based new product development teams usually include the marketing, finance, design, manufacturing, legal functions and at times suppliers
- Whereas the sequential approach may have bottlenecks, the team-based resolves them efficiently and its quick
- Advantages of the team-based approach include being fast and flexible
- Disadvantages of the team-based approach include organizational tensions
- To gain a competitive advantage rather combine a customer-centred approach with a team-based new product development team

Systematic New Product Development

- The new product development process must be holistic and systematic, not compartmentalized and haphazard
- An innovation management system is used to collect, review, evaluate and manage new product ideas
- Innovation Management System yields 2 outcomes:
 - ❑ Creates and innovation-orientated company culture
 - ❑ Creates a large number of new product ideas
- Successful new product development requires holistic company commitment and releasing wants satisfying products

Management of product development

Successful new product development requires a customer-centred, team based and systematic effort

Types of New Product Strategies



1- The Cost Product Strategy

- The cost product strategy is effective when your organization aims to create the best product at a less than average price.
- It analyzes at which stages your company can save money and resources.
- Such analysis helps use them to their full potential.
- Low-effort product companies such as toys and house cleaning items find the price product strategy beneficial.
- They're markets where customers have very little brand loyalty towards any specific company.

The product that costs the cheapest immediately becomes the customer's favorite

Types of New Product Strategies



2- The Differentiation Product Strategy

- It is vital to have a **unique selling point** for your product launch.
- There are several ways that your product can stand out in the market.

For instance, it could be a luxury product with the best raw materials available, Or it could be a natural beauty product with absolutely no chemicals.

- Your product itself can be unique or have a special feature.
- The differentiation product strategy highlights your product's unique selling point.
- Such a practice helps enhance the user experience and make it memorable for them.

Types of New Product Strategies



3- The Focus Product Strategy

- This strategy is applicable when your organization has a large customer base.
- Usually, companies who employ this strategy need to break down their customer base into several personas.
- You want to know which buyer persona is the most relevant to your product.
- The focus product strategy helps personalize solutions for particular buyer personas.
- This creates **brand loyalty** during market penetration and acquires new customers.

Types of New Product Strategies



4- The Quality Product Strategy

- This product strategy acquires customers looking to shop for **high-quality products** in the market.
- The quality product strategy makes your product stand out from your competitors. They heavily invest in the production process.
- When you implement this product strategy, the cost of production turns out to be higher, resulting in the product's price.
- However, this doesn't stop some customers from looking for such a high-quality product.
- Suppose the product counts as a **luxury item**.
- In that case, many customers will be willing to pay you the price if they love the product.

Types of New Product Strategies



5- The Service Product Strategy

- Customers don't just buy the product for its experience but also their interaction with the company.
- Many organizations use the latter to their advantage.
- Suppose your company sells mobile phones with a one-year guarantee and customer service after the purchase.
- In that case, potential customers are more likely to buy from you than your competitors.
- Establishing solid customer-care support should be a priority.
- Such a support system can respond to queries and complaints and provide a convenient after-sales service.
- It goes a long way in gaining trust and building brand loyalty.

Elements of a Good Product Strategy

1- The Vision

This element has two subsections – product vision and market vision.

Product vision refers to the objective of your product that it wishes to serve over the long term.

SpaceX's vision is to facilitate research in space while making other planets habitable. You can consider such a vision concise and static by nature.

On the other hand, market vision talks about your target customers using your product and how that will benefit the business.

Market vision is the gist of the market plan to make a competitive offer.

Elements of a Good Product Strategy

2- The Mission

The mission statement follows the vision of your company.

A mission is the action strategy for bringing the vision into a reality.

Your mission should always be tactical and highly detailed.

Do not confuse the mission with business plans because the mission provides insights into how the vision unfolds in reality.

Mission statements help create a strategy toward the organization's vision.

The mission also explains the product's purpose and what the team can do to bring it about.

The mission statement is written by conducting thorough user research and developing the persona..

Elements of a Good Product Strategy

3- The Goals

A product strategy is incomplete without goals and objectives.

These goals are specific to achieving points in the development process.

Goals in the product strategy prioritize tasks in product roadmaps.

SMART goals are the best approach to go about with.

When setting goals, they need to be relevant, achievable, and time-bound so that there is a sense of urgency to achieve them.

Elements of a Good Product Strategy

4- The Strategy

Once the product vision and mission are defined, the next step is to plot the strategy you would like to implement.

This step is an art since it involves finding leverages and competitively exploiting them to achieve your vision and mission.

The product strategy needs to be very tactical with a sense of where the tasks are implementable and achievable.

A common mistake is when companies aim to be on top.

If you have a tactical plan around this, it becomes a strategy.

Being number one is the content of the vision or mission

Elements of a Good Product Strategy

5-The initiatives

Initiatives come from product goals and are more conceptual.

Initiatives are a significant chunk of complex objectives you can break down for your team to achieve in small actionable tasks.

Examples of initiatives are improving customer satisfaction, upselling new services, and entering the new industrial territory.

The Product Vision Board Extended

 Vision What is your purpose for creating the product? Which positive change should it bring about?			
 Target Group Which market or market segment does the product address? Who are the target customers and users?	 Needs Which problem does the product solve? What benefit does it provide?	 Product What product is it? What makes it stand out? Is it feasible to develop the product?	 Business Goals How is the product going to benefit the company? What are the business goals?
 Competitors Who are your main competitors? What are their strengths and weaknesses?	 Revenue Streams How can you monetise your product and generate revenues?	 Cost Factors What are the main cost factors to develop, market, sell, and service the product?	 Channels How will you market and sell your product? Do the channels exist today?

SIX ingredients of an effective product strategy

1. The What?
2. The Why?
3. The Who?
4. The How?
5. The When?
6. The Where?

SIX ingredients of an effective product strategy

1. The What?

What kind of product do you plan on creating?

lay out exactly what kind of product you plan on creating. For example, is it software, or web services, or household items, or electronics, or gadgets, etc? Furthermore, define how your product differs from what already exists in the market. In this stage itself, it is important to rule differentiate yourself from competitors. You may distinguish the product based on one or more of the following:

SIX ingredients of an effective product strategy

Features

Price

Quality

Quantity

Safety

Privacy

Performance

Aesthetics

Target
audience

the problem
that you are
solving

SIX ingredients of an effective product strategy

2. The Why?

Why are you building it?

understand why you are building it. What need does this product fill in the market? What gap does it bridge, and how will people benefit from using it?

Research and Development (R&D) understand why you are building the concerned product intricately. What problem does it solve? Does it offer a solution that has never been offered? Or does it complement an existing product or solution?

Here, you identify the **main goals** you intend to meet through your product. You may also gauge how the product **fits in with your**

SIX ingredients of an effective product strategy

3. The Who?

Who will be served by this product?

Not every product in the market is designed for everyone. Some products are designed for **the masses**, while some are **for the classes**. For example, Apple company's main audience is the elites and the aspiring upper-middle classes. However, Target serves all.

In this step, you need to clearly define whom your company will be serving through this product. Some indicators may be whether your product serves the entire population or a specific group of people in the population? Will your product operate in a **B2C or B2B mode**? What is your target age group? What is their occupation? What industry are you focusing on? What is your target audience's income level? This is important to take note of as well

SIX ingredients of an effective product strategy

4. The How?

How will you do it?

Understand the mode through which your product will be marketed and sold- whether **online or offline**. It is also important for you to define what technologies are being used for this process. You may also want to address your marketing plan here. How do you plan on introducing this product into the market? Will it be a free product or service? Will it be a subscription-based product? Will it be 'members-only' access?

Furthermore, how do you plan on selling your product? You may have choices such as serving a section of the population first and then opening it up to others. Or you may target a larger audience with a free solution and monetize with premium features in the future.

SIX ingredients of an effective product strategy

5. The When?

When will your product be launched?

What will the product launch date be? How much time do you have between ideation and execution? This can vary from company to company, but having this answer helps in setting goals and expectations within an organization.

Having this step clearly defined helps your product team and employees involved work better. It is easier to reach your goal when you're on a virtual deadline.

SIX ingredients of an effective product strategy

6. The Where?

Where will your product mainly be used?

Define the geographical demographic of your product. Where will your product mainly be used? Will it be available in the region where your company is based? Would it be released in states other than your head office? If it's an online product, will it be available internationally? Do you plan on expanding your geographical reach through this particular product?

Once you find yourself with clear and well-defined answers to these 6 questions, you have your product strategy framework ready in front of you.

Management of product development

Melissa Perri explains product strategy as “a system or approach of achievable goals and objectives that work together to bind the team around desirable outcomes for both your company and your consumers.

Types of Product Strategy for Businesses

1- B2B Product Launch Strategy

Companies that sell products directly to other businesses.

To successfully launch a B2B product strategy, it is vital to understand the needs of your potential customers and tailor your product or service accordingly. You'll also want to make sure that your sales and marketing teams are well-trained in how to sell your product.

Types of Product Strategy for Businesses

2- Technology Product Strategy

This product strategy is aimed at companies that make innovative, cutting-edge products. The goal is to create a unique product that appeals to a specific niche market. The key here is to make sure that you have the resources to support and market your new product properly. Otherwise, it's likely to fail.

Technology Product Strategy is helpful for businesses to target a niche market and attract customers who need a specific type of product.

Technology Pioneers V/S Technology Followers

Types of Product Strategy for Businesses

3- Product Line Expansion Strategy

Adding new products or services to an existing product line.

This strategy is usually used when several similar products need to be added together. For example, if you sell hair care products like shampoos and conditioners, it makes sense to keep them all under one umbrella brand to easily find them.

Suppose you are going to use this strategy for your company. In that case, there must be **a competitive advantage** or **unique selling proposition** to separate the products from others on offer by competitors.

This strategy can also help companies diversify their portfolio and reduce risk if something happens with one product line, such as a recall.

Types of Product Strategy for Businesses

3- Product Line Expansion Strategy

Two Types of Product Line Expansion Are Horizontal and Vertical

Horizontal Expansion:

This type of expansion is when a company adds products like what they already offer (price and quality). For example, if you sell women's clothing, you might add men's clothing to your product line.

Vertical Expansion:

This type of expansion is when a company offers more variety (fluctuations in price and quality) within their existing product lines. For example, if you sell women's clothing, you might add different sizes or colors for your current products

Types of Product Strategy for Businesses

3- Product Line Expansion Strategy

Benefits of the Product Line Expansion Strategy for the Company Are :

1. It can increase the number of sales and profits in the short term.
2. It is a low-cost way to grow your company without having to spend money on new product development or marketing campaigns.

However, there are some **disadvantages**, such as diluting brand equity if done improperly; customer confusion may result from too much variety within one product line; increased competition from other companies offering similar products at lower prices.

Types of Product Strategy for Businesses

4- Product Mix Strategy

Aims to create a product mix that meets the needs of as many customers as possible.

This can be achieved by offering products in several different categories or by creating a product line that targets specific markets. When all the product lines and individual products are grouped, they form a product mix.

Types of Product Strategy for Businesses

4- Product Mix Strategy

The Four Dimensions of a Product Mix Strategy Are as Follows:

- ❑ Product line width: The number of product lines that a company offers
- ❑ Product line depth: The number of product variations within each line
- ❑ Product line Length: The number of products in a product mix
- ❑ Consistency: This refers to the relation of product lines to each other.

Types of Product Strategy for Businesses

4- Product Mix Strategy

A simplified and practical example of a product mix strategy would be Coca-Cola. Assuming Coca-Cola has two product lines of Juices and soft drinks. They have products such as Coke, Sprite, Fanta, etc. In the juices section, products such as Mint juice, Orange Juice, etc will be included. This refers to the product mix.

This type of marketing strategy involves changing customers' perception of an existing product by making it more appealing than before through advertising campaigns or promotions aimed at increasing sales volume over time (e.g., adding new features). It can be used when there are no competitors offering something.

A product mix strategy is fundamental because it helps companies find different ways to sell products that they already have. This means more sales and a more significant market share for your organization, which can also lead to increased profits down the road.

New Product Development (Part One)

Product development strategy is important because it uses market research to develop a plan for success in selling products.

Your overall strategy should include the methods and techniques you will use during each stage of product development.

This can help you overcome obstacles and focus on the most successful strategies. Making plans for how to develop various products can also enable you to adjust existing products and grow your business

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Thank You